

TECHNICAL ASSISTANCE – IN-RANGE SALARY MOVEMENTS (Base Building)

Prepared by the Division of Human Resources in the Department of Personnel and Administration. August 2004.

PURPOSE

With the implementation of performance pay and the abolishment of anniversary step increases, the only means of regularly moving an employee's pay through the pay range was performance awards. During lean budget years, the money allocated for performance awards was less than the amounts of range increases; hence, appointing authorities were unable to increase their employees' pay through the pay range. Additionally, during fluctuating budget seasons, money was not always available at the time of initial hires or promotions to pay employees at competitive or desired rates. Discretionary pay differentials were introduced in 1998, which gave appointing authorities the capability of providing several types of temporary pay for such things as signing bonuses, referral awards, temporary pay, and matching pay to counter a job offer. All of these pay mechanisms were non-base building, except matching pay, which could be base or non-base building.

Appointing authorities have requested the capability of moving employee's pay through the pay range for reasons not addressed by any existing mechanism. Following a study by the Division of Human Resources, the Director adopted procedures to permit in-range salary movements under restricted conditions. These movements are all base building and, in order to simplify the guidance on all types of pay movements, incorporate the base-building Matching Pay concept formerly under Discretionary Pay Differentials for range compression and counteroffer. Therefore, all discretionary base-building pay increases, except for upward and transfer movements and performance pay awards, are addressed in this document. All non-base building discretionary pay awards are addressed by the technical assistance on *Discretionary Pay Differentials*.

In-range salary movements are not intended to be used in place of, or to supplement, any of the following:

- A. Performance Awards;
- B. Annual salary survey adjustments;
- C. Discretionary pay differentials;
- D. Demotion and lateral class or position movements;
- E. Other incentive or reward adjustments;
- F. Overtime or other pay premiums.

It is imperative that department heads and appointing authorities fully understand the long-term impact of these permanent adjustments to base salaries, especially on budgets. This is the reason for incorporating certain limits and approval requirements for this type of salary movement. Each in-range movement must be used judiciously and in a manner that best serves the critical business needs of the organization. **In-range salary movements are discretionary on the part of the department.**

GENERAL REQUIREMENTS

- Base-building payments under these in-range salary movements cannot exceed the maximum of a pay range. The statutory lid also applies.
- Department must have a written plan containing the criteria for use of in-range salary movements that are based on sound business considerations and needs. These considerations may include existing budget (PERA, labor costs, etc.), internal grade compression (position of others in the class), use of in-grade hires for the job, market conditions (level of scarcity and documented recruitment problems), turnover rates for the job in relation to other jobs and possible causes, and expectations by the manager. The plan must be communicated to department employees on an ongoing basis. Even if the department decides not to use any of the in-range movements, it is recommended that the decision be communicated to employees.
- Managers who control budgets and staffing must be held accountable for their decisions concerning all aspects of the use of these discretionary mechanisms. The discretion to allow these types of salary increases does not override fiscal responsibilities.
- It is expected that any salary increase will be funded within existing budgets. Only one movement per 12-month period is permitted.
- At the time a movement is planned, an individual agreement must be created. It should include the type of movement, the reason for use, the amount, any forfeiture requirements, and other terms and conditions deemed appropriate. Departments are encouraged to have all agreement forms reviewed by legal counsel.
- Once granted, a reduction in base salary is subject to appeal.
- No aspect of granting these movements is subject to appeal or grievance, except alleged discrimination. An alleged violation of a department's plan can be disputed and the department's decision is final and no further recourse is available.
- Departments must be prepared to report on any aspect of these movements whenever requested by the state personnel director or the Department of Personnel and Administration. Therefore, attention should be given to the type of records needed and who will maintain them. Depending on a department's justification and approval process, including attendant documents, records often end up residing with human resources in a personnel file.

KEY CONSIDERATIONS

What amount will be allowed? Aside from the pay range maximum and the 10% system-wide limit, decide what other limits apply and how these limits integrate with the department's other policies on pay increases such as promotions, hires, transfers, incentives, and pay premiums.

Who is eligible and how often? In terms of eligibility, a department must consider eligibility requirements such as the type of occupation or position and any minimum service requirements (e.g., six months or one year of state personnel system service). The employer must realize some return on the investment (ROI) and the limits should prevent continual "job hunting" for the sake of obtaining counteroffers. A department may wish to set further limits on the number or frequency of these types of salary adjustments in order to actively manage pay administration.

Where will the money come from? Of course, availability of funds and affordability must be considered. Base-building movements will also impact the costs of PERA, Medicare, pay premiums, and overtime for non-exempt employees.

Some employers develop specific forms used in a routing process to record approvals and funding certification. Each department should keep adequate documentation to support reasons for granting such pay increases and must furnish such records upon the state personnel director's request.

Who has authority to request and approve the movement? Typically, the supervisor requests the movement, including the appropriate justification and any required forms. Consideration needs to be given to who has approval authority. Some ideas include division directors, executive directors, vice chancellors or presidents, college deans, deputy directors, and advisory or approval committees. As seen by these examples, approval authority is generally not delegated below division level managers. The decision will depend on the review process the department designs and whether multiple approval levels are desired.

Specific action codes for entering these types of salary increases have been created for EMPL. Refer to the appropriate action code in the EMPL system table for a listing.

The above information is general in nature and every attempt is made to keep this information updated. For more information, contact your department human resources office. Subsequent revisions to rule or law could cause conflicts in this information. In such a situation, the laws and procedures are the official source upon which to base a ruling or interpretation. This document is a guide, not a contract or legal advice. For additional information, contact the Compensation Team at 303-866-2455 or email at job.eval.comp@state.co.us.

FEATURES OF IN-RANGE SALARY MOVEMENTS

(Base Building)

	RANGE COMPRESSION	COUNTEROFFER	DELAYED PROMOTION	NEW HIRE
Eligibility	Current Employee	Current Employee	Current employee	Newly hired employee.
Purpose	Keep employees in current positions by a compression adjustment – salary leveling of longer term employees’ lower in the range due to in-grade hire.	Keep employees in current positions by a counteroffer to a bonafide job offer; retain critical, strategic set of competencies.	Increase base pay when funds are available and employee’s contributions are fulfilled.	Increase base pay when funds are available and employee’s contributions are fulfilled.
Pay Type	Permanent.* Up to range maximum.			
Frequency	One in-range movement per 12-month period.			
Limits	Amount: Up to 10% or the maximum permitted by the department’s hiring policy, whichever is greater.	Amount: Up to 10% or the maximum permitted by the department’s promotional policy, whichever is greater.	Amount: Up to 10% or the maximum permitted by the department’s promotional policy, whichever is greater	Amount: Up to 10% or the maximum permitted by the department’s promotional policy, whichever is greater
Payout	Base is regular payroll.		Paid through regular payroll within 12 months of action.	
PERA	Included as salary under PERA.			
FLSA	Included for overtime calculation.			
Budget	Within existing dollars.			
Plan	Department must have a written plan and communicate it within the department.			
Agreement	Must have an individual written agreement with amount, terms and conditions.			
Dispute	No grievance or appeal on granting a pay movement. Dispute of department’s plan is allowed, but internal decision is final and no further recourse is allowed.			

* A transfer, promotion, or demotion of the employee will negate the delayed increase.

APPENDIX

Samples

(Note: Samples are just that and have not been reviewed by legal counsel.)

Sample -- department plan declination statement

Date:

TO: All staff

FROM: (name)
Executive Director

SUBJECT: Use of In-Range Salary Movements

The state personnel director's administrative procedures created in-range salary movements, effective May 5, 2004. I have decided that none of the in-range salary movements will be used in our department. We gave the matter careful consideration and reached our decision based on (give appropriate rationale for the business decision, e.g., lack of funds).

If you have any questions, please contact (give name, number, e-mail address).

Department XYZ

Policy on In-Range Salary Movements – Compression *

As of (date), we will allow the use of In-Range Salary Movements for compression salary increases subject to the following conditions.

Purpose: To ease compression in the IT Professional III class for those employees hired prior to July 1, 1999, when an in-grade hire rate of \$1000 was implemented for all new employees. The adjustment will be available as long as documented turnover remains at 20% for this class department-wide, as verified by the Office of Human Resources.

Eligibility: The employee must have been hired into the IT Professional III class prior to July 1, 1999, and current base salary must be lower than \$1000 per month, prorated for part-time. The employee must be performing satisfactorily as evidenced by the latest final evaluation. It will be available only for those professional IT positions working on the CADMIS project. No eligible employee is guaranteed a compression adjustment.

Amount: Base pay may be increased by any amount up to 10% and not to exceed the IT Professional III range maximum of \$1265 per month.

Authority: The supervisor may request a compression adjustment. The request must include the recommended amount and appropriate supporting justification. The division director (appointing authority) will determine whether to grant the movement and the exact amount in each case. Approval is subject to the Budget Office's certification that funds are available and the HR office verification of turnover.

Payment: The award is base building and paid through regular payroll. A compression adjustment is included as salary for PERA purposes.

Other Terms and Conditions: If the appointing authority decides to use this adjustment, a *Compression Adjustment Individual Agreement* must be completed and submitted to human resources by the payroll cutoff date prior to the effective date. Grievance and appeal rights will be specified in each individual agreement. The individual agreement may contain other terms and conditions.

*** Note:** this sample statement may be modified for purposes of a policy on counteroffers.

Sample -- individual agreement

**Compression * Adjustment
Individual Agreement**

Department XYZ agrees to increase the base pay of Mary Q. Contrary in position number 123, an Information Technology Professional III, to \$1000 per month. The adjustment will take effect on August 1, 2004, assuming the approval process is completed by July 10, 2004, and will be paid through regular payroll.

The adjustment is made to the employee's base pay and regular personnel rules and procedures apply. The employee understands that a compression adjustment is included in salary calculations for retirement (PERA), tax withholding, and pay premium purposes.

The employee also understands that no aspect of the granting of this adjustment is subject to grievance or appeal, unless discrimination is alleged. An alleged violation of the department's plan may be disputed and the department's decision is final with no further recourse. If base pay is reduced in the future, any appeal rights will be in accordance with personnel rules and procedures that apply to the action that is reducing base pay.

The above terms and conditions have been discussed with the employee. The employee understands and agrees to these terms and conditions. This agreement is void if the employee separates, transfers, demotes, promotes, or is placed on corrective or disciplinary action prior to the salary effective date.

Employee Signature

Appointing Authority Signature

Printed Name

Printed Name

Title

Date

Date

*** Note, this agreement may be modified for use with counteroffer adjustments.**

Sample -- individual agreement

Delayed Salary Increase – Promotion*
Individual Agreement

Department XYZ agrees to increase the base pay of Mark Q. Shoeless in position number 124, an Information Technology Technician II, to \$900 per month. The adjustment will take effect on August 1, 2004, assuming the approval process is completed by July 10, 2004, and that funds are available at that time, and will be paid through regular payroll, providing the following expectations are met:

- The employee's performance is satisfactory (Level 2) or higher.
- The employee successfully completes the probationary/trial service period.
- The employee successfully completes the training syllabus or on-the-job training on time or ahead of schedule and the application of critical skills are proven.
- The employee's supervisor affirms completion of the above.
- (Other expectations at the discretion of the appointing authority.)

The adjustment is made to the employee's base pay and regular personnel rules and procedures apply. The employee understands that a compression adjustment is included in salary calculations for retirement (PERA), overtime, tax withholding, and pay premium purposes.

The employee also understands that no aspect of the granting of this adjustment is subject to grievance or appeal, unless discrimination is alleged. An alleged violation of the department's plan may be disputed and the department's decision is final with no further recourse. If base pay is reduced in the future, any appeal rights will be in accordance with personnel rules and procedures that apply to the action that is reducing base pay.

The above terms and conditions have been discussed with the employee. The employee understands and agrees to these terms and conditions. This agreement is void if the employee separates, transfers, demotes, promotes, or is placed on corrective or disciplinary action prior to the salary effective date.

Employee Signature

Appointing Authority Signature

Printed Name

Printed Name

Title

Date

Date

*** Note, this agreement may be modified for use with new hire adjustments.**